



County of Los Angeles CHIEF EXECUTIVE OFFICE

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WILLIAM T FUJIOKA
Chief Executive Officer

May 21, 2012

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To: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

MOTION THAT THE BOARD OF SUPERVISORS EXPRESS STRONG SUPPORT FOR PROPOSITION 29, THE TOBACCO TAX FOR CANCER RESEARCH ACT OF 2012, AND URGE THE VOTERS OF CALIFORNIA TO VOTE YES ON THIS BALLOT MEASURE ON JUNE 5, 2012 (ITEM NO. 32-B, SUPPLEMENTAL AGENDA OF MAY 22, 2012)

Item No. 32-B on the May 22, 2012 Supplemental Agenda is a motion by Supervisor Molina and Supervisor Yaroslavsky recommending that the Board of Supervisors express strong support for Proposition 29, the Tobacco Tax for Cancer Research Act of 2012, and urge the voters of California to vote yes on this measure on June 5, 2012.

Proposition 29 would: 1) increase the existing excise tax on cigarettes by \$1.00 per pack and an equivalent tax increase on other tobacco products to fund cancer research and other specified purposes; 2) require tax revenues to be deposited into a special fund to finance research and research facilities focused on detecting, preventing, treating, and curing cancer, heart disease, emphysema, and other tobacco-related diseases, and to finance prevention programs; and 3) create a nine-member committee charged with administering the fund. If passed, the initiative would be effective October 1, 2012.

Background

Existing law imposes excise taxes on the distribution of cigarettes and other tobacco products, such as cigars and chewing tobacco. Tobacco excise taxes are paid by distributors who supply cigarettes and other tobacco products to retail stores. The State

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excise tax on tobacco is \$0.87 per pack which generated an estimated \$904.0 million in FY 2010-11 for the following uses:

<i>Current Distribution of Tobacco Excise Taxes</i>	<i>Estimated Revenue FY 2010-11</i>
State General Fund - \$0.10 per pack: Enacted by the Legislature in 1959.	\$96.0 million
Proposition 99 of 1988 - \$0.25 per pack: Supports tobacco education and prevention, disease research, health care services for low-income persons, among other uses.	\$296.0 million
Breast Cancer Fund- \$0.02 per pack: Enacted by the Legislation in 1993 to support breast cancer screening programs for uninsured women.	\$23.0 million
Proposition 10 of 1998 - \$0.50 per pack: Supports early childhood development - First 5 Programs.	\$489.0 million
TOTAL	\$904.0 million

Cigarettes and other tobacco products are also subject to State and local sales and use taxes. These taxes generate more than \$400.0 million in revenues annually. In addition, the Federal government imposes an excise tax on cigarettes and other tobacco products. The current Federal excise tax on a pack of cigarettes is \$1.01.

The Legislative Analyst's Office (LAO) estimates that this measure would raise about \$615.0 million in FY 2012-13 and about \$810.0 million in FY 2013-14. After backfilling losses in the existing tobacco excise tax revenue, the LAO estimates that approximately \$735.0 million in net revenue would be available in FY 2013-14 for the purposes described in the initiative.

Funds generated by the new excise tax would be deposited in the California Cancer Research Life Sciences Innovation Trust Fund and allocated as follows starting in FY 2013-14:

- Hope 2010 Research Fund. 60 percent of the funds would be used to provide grants and loans to support research on prevention, diagnosis, treatment, and potential cures for cancer and tobacco-related diseases for an estimated \$441.0 million.

- Hope 2010 Facilities Fund. 15 percent would be used to provide grants and loans to build and lease facilities and provide capital equipment for research on cancer and tobacco-related diseases for an estimated \$110.0 million.
- Hope 2010 Tobacco Prevention and Cessation Fund. 20 percent would be used for tobacco prevention and cessation programs administered by the California Department of Public Health and the California Department of Education and local governments for an estimated \$147.0 million.
- Hope 2010 Law Enforcement Fund. 3 percent would be allocated to State agencies to support law enforcement efforts to reduce cigarette smuggling, tobacco tax evasion, and illegal sales of tobacco to minors and to otherwise improve enforcement of existing law, for an estimated \$22.0 million.
- Hope 2010 Committee Account. 2 percent would be deposited into an account that would be used to pay the costs of administering the measure. The LAO indicates that most of this funding would likely be for reimbursing the Board of Equalization for tax collections costs for an estimated \$15.0 million.

According to the Legislative Analyst's Office, the cigarette excise tax increase would generate somewhat lower amounts each year thereafter, based on projections of continued declining cigarette consumption.

The Department of Public Health (DPH) indicates that tobacco use remains the single most preventable cause of disease, disability, and death in the United States. In Los Angeles County, tobacco use is directly linked to the top five causes of death: 14.6 percent of coronary heart disease deaths; 9.3 percent of stroke deaths; 77.0 percent of lung cancer deaths; 14.7 percent of pneumonia deaths; and 85.2 percent of emphysema deaths. In total, one out of every seven deaths in the County, approximately 9,000 deaths per year, is caused by the use of tobacco.

The Department of Public Health also notes that the harmful effects of smoking do not end with the smoker. An estimated 336,000 children and 585,000 nonsmoking adults throughout the County are exposed to secondhand smoke. Secondhand smoke causes heart disease and lung cancer in nonsmoking adults and numerous health problems in infants and children, including severe asthma attacks, respiratory infections, ear infections, and Sudden Infant Death Syndrome. DPH indicates that coupled with the health toll, tobacco use in the County results in more than \$2.3 billion a year in medical costs and another \$2.0 billion a year from lost productivity.

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According to the Department of Public Health, the California Tobacco Control Program estimates that Proposition 29 would increase the County's annual allocation for tobacco prevention and control activities by approximately \$16.7 million to a total of \$18.9 million annually. In addition, the Department indicates that the increased price of tobacco products would reduce the number of smokers in the County by nearly 90,000 reducing both the number of youth who begin smoking and increasing the number of youth and adult smokers who quit smoking. DPH estimates that this would result in more than 15,000 lives saved from tobacco-related deaths averted among residents 15 years and older.

Proposition 29 is supported by Californians for a Cure co-chaired by Lance Armstrong and retired Senate President pro Tempore Don Perata, the author of this measure; the American Cancer Society; American Lung Association of California; American Heart Association; American Stroke Association; California Medical Association; California Hospital Association; California Primary Care Association; California Parent Teachers Association; Cedars Sinai Medical Center; Good Samaritan Hospital, Los Angeles; Lance Armstrong Foundation; Campaign for Tobacco-Free Kids; Tom Torlakson, the Superintendent of Public Instruction; and numerous organizations, physicians, and individuals.

Proposition 29 is opposed by Californian's Against Out-of-Control Taxes and Spending; R.J. Reynolds; Philip Morris; California Chamber of Commerce; California Grocers Association; California Retailers Association; California Taxpayers Association; Howard Jarvis Taxpayers Association; Neighborhood Market Association; Los Angeles Police Protective League; numerous taxpayer groups; small business associations; law enforcement organizations; the editorial boards of the Los Angeles Times and the Orange County Register.

Recommendation

While there is existing Board-approved policy to support proposals to increase tobacco cessation programs, prevent youth access to tobacco products, and reduce exposure to second-hand smoke, this office does not make recommendations on measures that would increase taxes or fees or ballot initiatives which are subject to voter approval, as these are matters for Board policy determination. **Therefore, support for Proposition 29, the Tobacco Tax for Cancer Research Act of 2012 is a matter for Board policy determination.**

WTF:RA
MR:VE:sb

c: Executive Office, Board of Supervisors
County Counsel